

SECTION M
EVALUATION FACTORS FOR AWARD

M.1. INTRODUCTION

This section sets forth the criteria to be used for the evaluation of all offers. These criteria will be applied to each offer to determine the successful Offeror. The evaluation process is described below.

M.2. EVALUATION OF OFFERS

The Board will select an Offeror for award in accordance with the guidance in FAR Part 15, the Board's Source Evaluation and Selection Procedures, and the terms of this solicitation. The following specific events will occur in the evaluation process:

- Step 1. The Board will review all proposals for compliance with the requirements of this solicitation document. Those proposals which do not conform, other than for minor irregularities, will not be given further consideration for award of a contract.
- Step 2. The Board's Technical Evaluation Panel will evaluate all technical proposals for compliance with the requirements of Clause M.4, "Minimum Technical Qualifications." Those proposals which do not conform to the requirements of Clause M.4 will not be given further consideration for award of a contract.
- Step 3. The Board's Technical Evaluation Panel will conduct a technical evaluation of all proposals which meet the requirements of Clause M.4 and which are not otherwise disqualified from consideration for award of a contract.
- Step 4. The Board will evaluate cost/pricing proposals in accordance with Sections B, L, and M.
- Step 5. The Board will consider the technical and cost/price evaluations of all rated proposals in order to determine that Offeror which proposes the best value in terms of lowest cost, superior service, or both.

Step 6. The Board will evaluate the responsibility of the apparent successful Offeror in light of the factors set forth in FAR Part 9.

M.3. EVALUATION FACTORS FOR AWARD

- a. The Board will make award to that responsible Offeror whose offer conforms to the solicitation and is most advantageous to the Board, cost or price and other factors considered.
- b. For this solicitation, technical quality is more important than cost. An evaluation of each offer will be made in the technical area, and if technically acceptable, in the cost area. The technical evaluation carries a 60% weight towards contract award, and the cost/price evaluation carries a 40% weight. A final cost/price score will be developed by combining the final technical evaluation and cost/price scores.

M.4. MINIMUM TECHNICAL QUALIFICATIONS

- a. The Technical Proposal must demonstrate compliance with the minimum technical factors listed below in order to be considered for award. Proposals which do not conform to the requirements of this clause will be rejected by the Technical Evaluation Panel prior to technical evaluation.
- b. All Offerors must demonstrate compliance with the following:
 - 1. The Offeror must comply with the statutory requirements specified in §§ 8438 and 8478 of Title 5 of the United States Code and must agree to serve as a fiduciary of the Thrift Savings Fund, as defined in § 8477 of Title 5, with respect to all assets of the Fund under management or custody.
 - 2. The Offeror must be a "qualified professional asset manager" as defined in § 8438 of Title 5 of the United States Code.
 - 3. The Offeror must provide a commingled, daily-valued S&P 500 index fund suitable for a tax-qualified plan.
 - 4. The proposed fund must have a minimum of \$55 billion (market value as of June 30, 2000) in assets under management. (See Section J, Attachment 1, paragraph I.E.1 for a discussion of modular or tiered structure as it applies to the size of the proposed fund. That

discussion applies to the minimum size requirement as well). The proposed commingled fund must have been in operation for a minimum of 3 years.

5. The offered fund must be designed to replicate the S&P 500 index.
6. The offered fund must provide a securities lending program.
7. The offered fund must accept trades each business day, on a pre-notification trade basis (i.e., trade executed at closing stock prices on the trade date), with an investment notification deadline no earlier than 2:00 p.m., eastern time. The offered fund must accept funds to cover purchases one business day after the trade date and must wire redemption proceeds one business day after the trade date.
8. The Offeror must provide, through an electronic data file in the format provided by the Board, to the TSP record keeper on each business day the TSP's share of total earnings, in dollars, for that business day. Total earnings include capital gain or loss (net of trading costs), dividend income, securities lending income, and any income from the cash account. The daily earnings are to be transmitted as soon as available each business day, but no later than 6:00 p.m. eastern time. The offeror must also provide other required information, transaction summary reports, monthly transaction reports, and monthly performance reports in a timely manner.
9. The Offeror must provide the Board with its established proxy voting policies and agree to submit reports to the Board explaining any exceptions to those policies during the term of the contract.

M.5. TECHNICAL EVALUATION

Upon determining Offeror compliance with the minimal technical criteria identified in paragraph M.4 above, the technical evaluation panel will evaluate those proposals for technical compliance with the requirements of this solicitation document. The evaluation will be consistent with the evaluation criteria identified below:

1. Organizational Experience - 10 points

- a. Qualifications of portfolio managers, administrative account servicing, and other investment personnel.
 - b. Size, growth, and longevity of proposed fund.
- 2. Trading - 30 points
 - d. Demonstrated ability and opportunity to minimize trading costs.
- 3. Tracking of the S&P 500 Index - 10 points
- 4. Fiduciary and Administrative Competence - 10 points
 - a. Ability to carry out fiduciary responsibilities.
 - b. Quality of securities lending program.
 - c. Comprehensiveness of proxy voting policies.
 - d. Ability to provide timely and accurate reports containing the required information.

M.6. COST/PRICE EVALUATION

- a. The Board will analyze all technically acceptable proposals to determine the price of each proposal. The Board anticipates assigning 40 points to the price proposal evaluation.
- b. The Board will use the information submitted in Section B.3 to determine the proposal with the lowest net fees (defined as management fees plus custodian fees less securities lending income) at each asset level and will assign lower point scores to those proposals with higher net fees at each level, in accordance with the following schedule:

<u>Net Fees On</u>	<u>Point Allocation</u>
First \$60 billion	25 points
Above \$60 billion	15 points

- c. Cost evaluation points are attributed to each Offerors' net fees as follows: The lowest Offeror receives maximum points for each category. For every basis point above the lowest net fee at each asset level, the corresponding score is reduced 3 points (incremental increases of less than one basis point reduce the score proportionately, e.g., a .5

basis point increase in fees results in a 1.5 point reduction in score).

- d. The technical points earned as a result of the evaluation in M.5 will be added to the results of the M.6 evaluation, rendering a total score for each proposal.

M.7. AWARD

- a. While the total score will be an important factor in contract award selection, the Board will award any contract resulting from this solicitation to that Offeror presenting the most advantageous offer to the Board, all factors considered.
- b. The Board may reject any or all offers, accept other than the offer proposing the lowest management fees, and waive informalities and minor irregularities in offers received.
- c. The Board may award a contract on the basis of initial offers received, without discussions. Therefore, each initial offer should contain the Offeror's best terms from a price and technical standpoint.

M.8. TIME OF AWARD

The Board expects to make an award by October 2000 to allow the selected Offeror to conduct system tests associated with the new Thrift Savings Plan (TSP) record keeping system prior to initiating fund management on January 1, 2001.

NOTHING FOLLOWS